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November 12, 2007

Mr. Dale Rundquist
Compliance Project Manager
California Energy Commission
1516 Ninth Street
Sacramento, California 95814

Subject: Application for Certification (02-AFC-2)
Salton Sea Unit 6
Imperial County, California

Dear Mr. Rundquist:

CE Obsidian Energy LLC ("CE Obsidian") respectfully requests a three-year extension to an existing permit (referenced above) that was approved by the California Energy Commission in December 2003. That permit allows for the construction of a 215-megawatt geothermal energy plant near the Salton Sea in Imperial County. The proposed extension is from December 18, 2008 to December 18, 2011.

In July 2002, CE Obsidian submitted an Application for Certification to build Salton Sea Unit 6. The CEC made its "data adequacy" determination in September 2002 and that decision initiated the 15-month review process that culminated in December 2003 when the CEC commissioners voted unanimously to approve the permit. That permit requires CE Obsidian to commence construction of the plant on or before December 17, 2008.

Due to circumstances beyond the control of CE Obsidian, it is extremely unlikely that we can commit to begin construction of the plant by December 2008. Moreover, we cannot assure you or the CEC that this plant will be constructed even with the requested extension of the construction commencement date. The primary challenges involve the high cost of raw materials that will be needed for construction. The rapid increase in the price of metals, concrete and labor from 2003 to present has dramatically increased the forecasted cost of developing the well field and building the plant.

Over the past several months we have worked with CEC staff and shared ideas on how CE Obsidian might overcome the economic challenges associated with construction of new geothermal energy plants at the Salton Sea. We have concluded that while the construction of a new 215 MW plant is very unlikely, by modifying our above-ground process technology the project economics might be improved enough to where we could justify an investment in one or more smaller plants, currently estimated to be in the range

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of 50-60 MW each. Accordingly, we are pursuing the CEC's recommendation to amend the existing permit to accommodate the construction of one or more smaller plants.

CE Obsidian has been told that in order to properly update the environmental analyses that will be required to modify the existing permit and allow construction of one or more smaller plants, an expenditure of almost \$350k will be necessary. We believe that before expending the money to update and modify the existing permit it is prudent to have certainty that the permit will be valid and available when the environmental studies are completed. For that reason we are asking the permit be extended for three years.

Given the critical importance of developing new energy supplies in California and especially for facilities that involve the generation of renewable, environmentally responsible electricity, we believe that an extension of the permit is clearly in the best interests of all Californians. As such, we respectfully request that the California Energy Commission consider extending the permit for Salton Sea Unit 6 for three years, from December 18, 2008 to December 18, 2011. We are hopeful that with the additional time we can overcome the economic challenges that have to date prevented the construction of the original facility and possible allow us to move forward on the development of smaller plants.

We are anxious to discuss this matter with you and your staff in greater detail and urge you to contact me at your earliest convenience.

Sincerely,


Stephen A. Larsen
President

bcc: Mitch Pirnie
Vince Signorotti
Jonathan Weisgall
Greg Merrigan